Foundations of MARKETING

Seventh Edition

Chapter 1

Customer-Driven Strategic Marketing

Pride | Ferrell

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Learning Objectives

1-1 Define marketing.

1-2 Explain the different variables of the marketing mix.

1-3 Describe how marketing creates value.

1-4 Briefly describe the marketing environment.

1-5 Summarize the marketing concept.

1-6 Identify the importance of building customer relationships.

1-7 Explain why marketing is important to our global economy.

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Marketing

Marketing - creating, distributing, promoting, and pricing goods, services, and ideas to

- Facilitate satisfying exchange relationships with customers
- Develop and maintain favorable relationships with stakeholders in a dynamic environment

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Focus of Marketing

- **Customers** - purchasers of organizations' products
- **Target market** - specific group of customers on whom an organization focuses its marketing efforts

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Discussion Point – Appealing to Target Markets

DON'T IMAGINE.
JUST DRIVE ONE.
Our program is authentic and as real as it gets. We provide the expertise and assets needed to put you in a real Formula One® race car at select tracks in North America.
Seasoned and novice motorsport connoisseurs alike can experience the thrill and adrenaline that our one-of-a-kind program provides. Go ahead, be one of the very few to drive a real Formula One® race car!
GP Experience
1-844-DRIVEF1 | WWW.GPEXPERIENCE.US |

Source: Pirelli & C. S.pA

Pirelli offers an opportunity to drive a Formula One racecar, appealing to a target market of customers who want high-quality automobile and tire performance.

Is Pirelli targeting a vast number of people, or a relatively small group?

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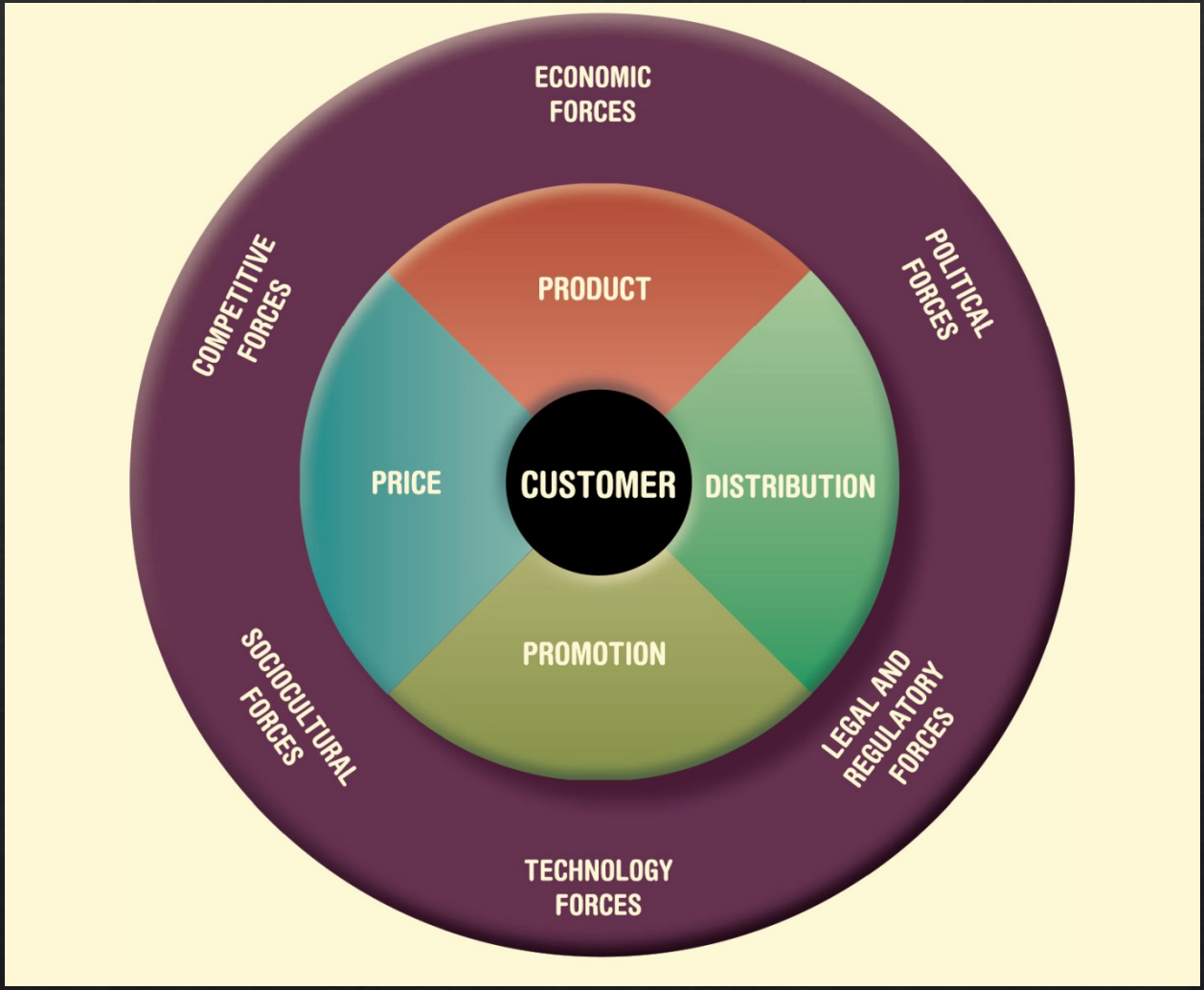
Figure 1.1 - Components of Strategic Marketing



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Marketing Mix

Marketing mix - decides the type and amount of elements to be used

- Product
- Pricing
- Distribution
- Promotion

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Product Variable

Product - goods, services, and ideas

- Involves creating/modifying
  - Brand names
  - Packaging
- Directly involved with creating products that address customers' needs and wants

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Price Variable

- Associated with establishing pricing objectives, policies, and determining product prices
- Price is
  - A critical component of the marketing mix
  - Used as a competitive tool
- Intense price competition leads to price wars

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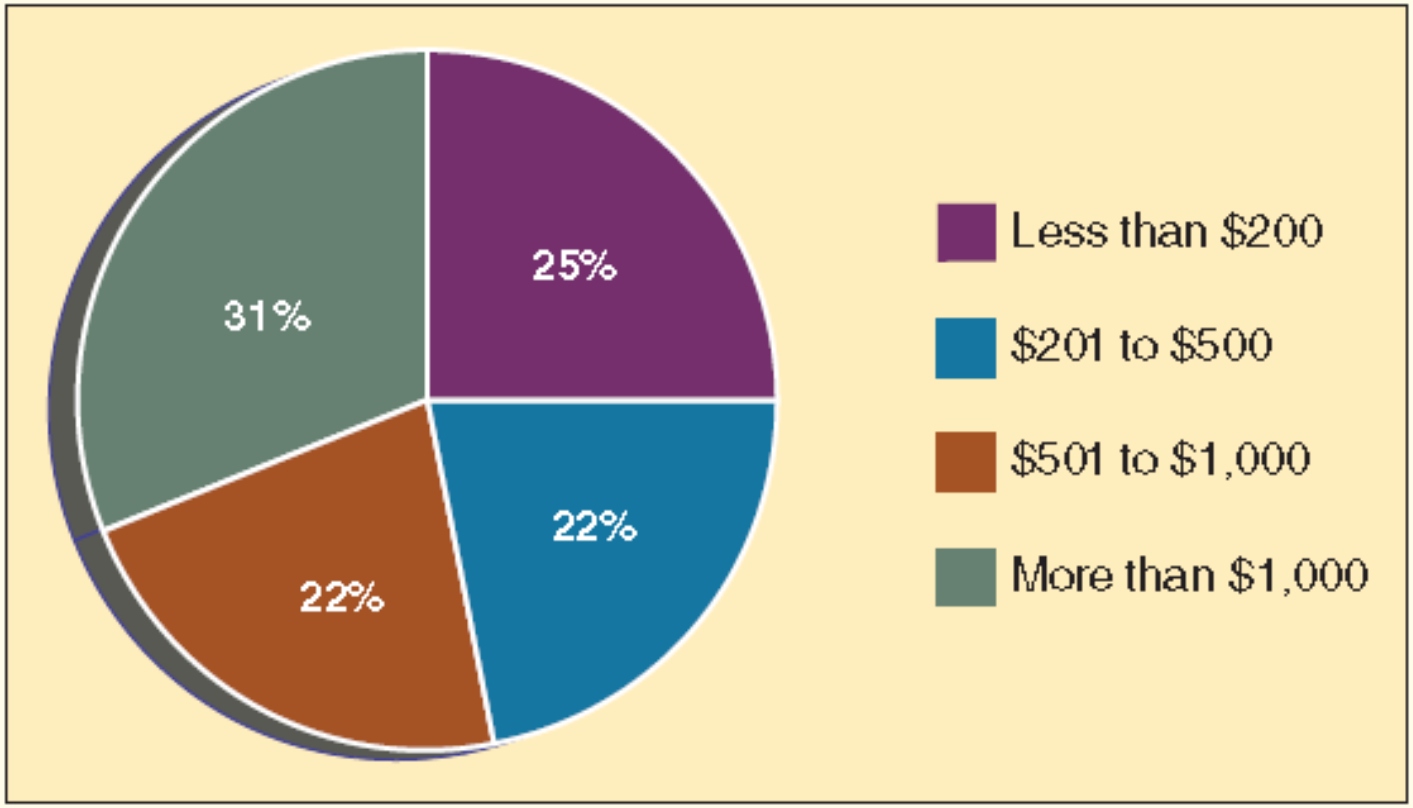
How Much Do You Plan to Spend on Technology this Year?



SNAPSHOT

Source: "How much do you plan to spend on technology this year?," *Money*, p. 100.

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Distribution Variable

- Ensuring availability of products in desired quantities to maximum number of target-market customers possible
- Aims to keep costs low for
  - Inventory and transportation
  - Storage
- Ensures availability of products
  - At the right time
  - In convenient locations

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Discussion Point – Types of Products

Source: Thomas Barwick/Stone/Getty Images

© iStockphoto.com/alvarez

Sports events are intangible goods that provide fans with a fun experience. Bicycles represent a tangible good that consumers can use for recreation.

Describe some other products that satisfy customer needs and wants.

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Marketing Managers

- Select/motivate intermediaries
- Establish/maintain inventory control procedures
- Develop/manage transportation and storage systems

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Promotion Variable

- Activities that inform individuals or groups about the organization and its products
- Increase public awareness
- Educate customers about product features
- Urge people to take a stance on a political or social issue
- Help sustain interest in established products

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Discussion Point – Promotion

Source: Nest Labs, Inc.

Nest increases its distribution channels by promoting its partnership with other organizations, such as LIFX.

What are the costs that have to be kept in mind by the marketing manager while making products available?

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Marketing Creates Value

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Value

Value - customer's subjective assessment of benefits relative to costs in determining the worth of a product

- Customer benefits - anything a buyer receives in an exchange
- Customer costs - anything a buyer must give up to obtain the benefits of the product
- Marketing mix enhances perceptions of value

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Discussion Point – Value-Driven Marketing

Source: 1-800-Flowers.com

1800Flowers provides bouquets with colors and decorations for the autumn season to increase the customer's perception of value.

Does marketing increase the value of products?

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Exchange

Exchanges - provision or transfer of goods, services, or ideas in return for something of value

- Two or more parties possessing something of value that the other party desires must participate
- Should provide a benefit
- Each party must have confidence in the promise held by the other
- Parties must meet expectations to build trust

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Stakeholders

Stakeholders - constituents who have a stake in some aspect of a company's products, operations, markets, industry, and outcomes

- Customers
- Employees
- Investors
- Shareholders
- Suppliers
- Governments
- Communities

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Discussion Point – Satisfying Stakeholder Needs

Source: © iStockphoto.com/Mlenny

Lululemon satisfies customers and stakeholders with high-quality products, generates an empowering workplace, and contributes to greater life enjoyment.

For an exchange to take place, what four conditions must exist?

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Figure 1.2 - Exchange between Buyer and Seller

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Marketing Environment

Marketing environment - constitutes the following forces

- Competitive
- Economic
- Political
- Legal and regulatory
- Technological
- Socio-cultural
- Surrounds the customer and affects the marketing mix

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Affects of Marketing Environment

- Affects a marketer's ability to facilitate value-driven marketing exchanges
- Influences customers by affecting their
  - Lifestyle
  - Standards of living
  - Preferences and needs for products
- Affects a marketing manager's decisions and actions

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Marketing Concept

Marketing concept - adopting a coordinated set of activities that

- Satisfy customers' needs
- Aid the organization in achieving its goals
- Guides an organization's overall activities
- Customers are the main focus

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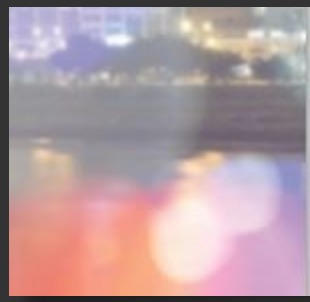
Discussion Point – Implementing the Marketing Concept



Source: Blue Diamond Growers

Blue Diamond attracts customers by satisfying their needs and wants. This advertisement promotes a healthy, convenient snack food.

Why must organizations focus on customer analysis to implement the marketing concept?

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Evolution of the Marketing Concept

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Market Orientation

Market orientation - requires an organization-wide generation of market intelligence pertaining to

- Current and future customer needs
- Dissemination of the intelligence across departments
- Organization wide responsiveness
- Linked to new-product innovation
  - Developing a strategic focus to explore
  - Developing new products to serve target markets
- Being responsive to ever-changing customer needs and wants

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Implementing the Marketing Concept

- Establish an information system to discover customers' real needs
- Use the information to create satisfying products
- Listen and respond to consumers frustrations and appreciation
- Company must coordinate all its activities to satisfy objectives

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Customer Relationship Management

Customer relationship management (CRM) - using information about customers to create marketing strategies that develop and sustain desirable customer relationships

- Acquiring new customers
- Enhancing profitability of existing customers
- Extending the duration of customer relationships

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Relationship Marketing

Relationship marketing - long-term and mutually beneficial arrangement

- Deepens the buyers trust
- Building satisfying exchange relationships between buyers and sellers requires
  - Gathering useful data at all customer contact points
  - Analyzing that data to better understand customers' needs, desires, and habits

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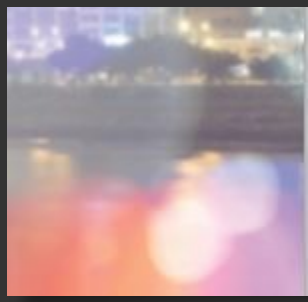
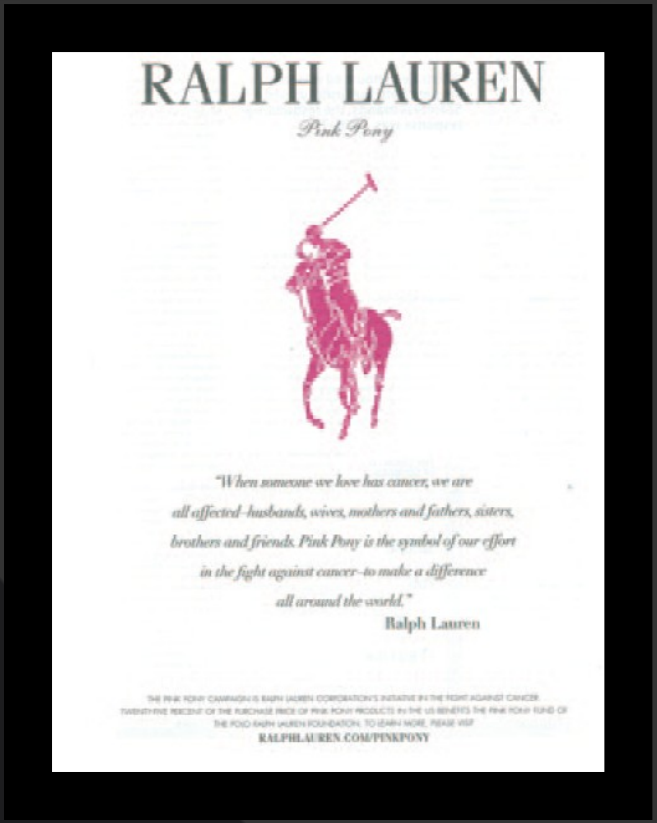
Discussion Point – Social Marketing




RALPH LAUREN
Pink Pony
"When someone we love has cancer, we are all affected–husbands, wives, mothers and fathers, sisters, brothers and friends. Pink Pony is the symbol of our effort in the fight against cancer–to make a difference all around the world."
Ralph Lauren
RALPHLAUREN.COM/PINKPONY

Source: Ralph Lauren Corporation

Marketing is used by companies such as Ralph Lauren to create awareness of its Pink Pony purchases, which generate donations for cancer research.

How does marketing contribute to the well-being of society?

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The Importance of Marketing in a Global Economy

- Marketing costs consume a sizable portion of buyers' dollars
- Used in nonprofit organizations
- Important to businesses and the economy
- Fuels global economy
- Marketing knowledge enhances consumer awareness
- Connects people through technology

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The Importance of Marketing in a Global Economy (continued)

- Socially responsible marketing - promoting the welfare of customers and stakeholders
- Green marketing - strategic process involving stakeholder assessment to
  - Create meaningful, long-term relationships with customers
  - Maintain, support, and enhance the natural environment
- Market orientation combined with social responsibility improves business performance

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Table 1.1 – Selected Cell Phone Activities of U.S. Citizens

Activity	All Cell Phone Owners
Send or receive text messages	81%
Access the Internet	60
Send or receive e-mail	52
Download apps	50
Get directions, recommendations, or other location-based information	49
Listen to music	48
Participate in a video call or video chat	21
Check in or share your location	8

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